

Information concerning the tax liabilities of biodiesel-blended fuel under the Use Tax Act may be found at 35 ILCS 105/3-10. (This is a GIL.)

April 20, 2006

Dear Xxxxx:

This letter is in response to your letter dated March 6, 2006, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

COMPANY (i.e., the Company) is requesting a letter ruling clarifying the use tax exemption available for the use of biodiesel fuel. Recently, the Company has received conflicting verbal direction from Illinois Department of Revenue personnel.

The Company is registered with the Interstate Commerce Commission (ICC) as a for hire common carrier. The Company owns and operates an interstate semi-tractor and trailer fleet. The Company also possesses valid Illinois Receiver, Supplier, and Blender's licenses.

In the future, the Company is considering blending biodiesel fuel at an Illinois site for use in the Company's trucking fleet. The Company will purchase 100% biodiesel (B100) and petroleum diesel to blend into a B11 biodiesel. Question: if the Company blends an 11% biodiesel blend (i.e., B11) for its own use, is it entitled to the Illinois use tax exemption for this fuel type? The Company currently purchases this product 100% exempt from Illinois sales tax [ILCS Sec. 110/3-10].

Thank you for your time and attention towards this matter.

**DEPARTMENT'S RESPONSE:**

This response concerns the tax implications of the Use Tax Act only as applied to an end-user of fuel, and does not address any tax liabilities under the International Fuel Tax Agreement or the Motor Fuel Tax Law.

Information concerning the tax liabilities of biodiesel-blended fuel under the Use Tax Act may be found at 35 ILCS 105/3-10. When fuel is purchased for use or consumption, the composition of the fuel (biodiesel, petroleum diesel, etc.) at time of purchase will determine its taxation.

For example, a person (including a blender) who purchases a fully taxable fuel and a tax-exempt fuel for blending into a fuel that will be used by that person, will incur Use Tax on that portion of the purchase price representing the fully taxed fuel, and will remain exempt on that portion of the purchase price that represents the tax-exempt fuel. Once the fuel is purchased by a person for use or consumption, the blending of that fuel into a fuel of a different composition does not impact the taxation of the component fuels used to make the final product.

I hope this information is helpful. If you require additional information, please visit our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess  
Associate Counsel

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